

***The Poverty of Nations: A Sustainable Solution* (Crossway, 2013)
Wayne Grudem and Barry Asmus**

Chapter Eight “The Freedoms of the System”

A. The importance of freedom for economic growth

1. Without these economic and political freedoms, no country will be able to move from poverty to ↑ prosperity.
2. Adam Smith (1776):
That security which the laws in Great Britain give to every man that he shall enjoy the fruits of his own labour, is alone sufficient to make any country flourish. . . . The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone, and without any assistance . . . capable of carrying on the society to wealth and prosperity. (*Wealth*, 581)
 - a. Landes: remarkable growth & prosperity in 17/18th century Britain linked to strong freedom & security
3. The *Economic Freedom of the World* index and the *2013 Index of Economic Freedom* show: strong correlation between economic freedom in a nation and the economic prosperity of that country.
4. Several arguments from the Bible support the idea that government should protect human liberty.
 - a. Slavery and oppression are always viewed negatively in Scripture (Ex 20:2).
 - b. Loss of freedom was a judgment, not a blessing (Deut 28:28-29;33; Judg 2:16-23; Isa 61).
 - c. Individual liberty, freedom to choose: prized in the Bible (Deut 30:19; Josh 24:15; Matt 11:28; Rev 22:17).
“I call heaven and earth to witness against you today, that I have set before you life and death, blessing and curse. Therefore choose life, that you and your offspring may live” (Deu 30:19 ESV)
Year of Jubilee: “proclaim liberty throughout the land to all its inhabitants.” (Lev 25:10 ESV)
5. U.S. Declaration of Independence: unalienable right to “liberty” was listed next to the right to “life.”
6. U.S. Constitution: one of most basic purposes of government → “to secure the Blessings of *Liberty*.”

B. The types of freedom government should protect (21 freedoms)

1. Freedom to own property (see also chs. 3 & 4; pgs. 114-116, 141-54) –the first, most basic economic freedom
2. Freedom to buy and sell
 - a. If there is no market for products, there is no production, and hence no economic growth (Ch. 2, pgs. 87-88, 96).
3. Freedom to travel and transport goods anywhere within the nation
 - a. For people and companies to contribute to a growing economy, they need easy access to large markets.
 - b. Compare Britain (open access; prosperity) during Industrial Revolution to Germany until 1834 (tolls; restrictions).
 - c. Roadblocks and extortion of money persist in a number of African countries today.
 - i. Robert Guest - 18 hour trip in Cameroon took four days and arrived w/ only 2/3 of original load. (p. 265)
 - d. Such corruption produces no useful economic benefit, because people are not employed in productive work.
+ economic harm: everything costs more
4. Freedom to relocate anywhere within the nation
 - a. If workers are free to move and take different jobs, they have some ability to bargain for higher pay.
 - b. Example - Russia (16-18th century) who “fixed their workers to the soil” leading to economic disaster.
5. Freedom to trade with other nations
 - a. The greater the number of trading partners, the more opportunities there are for gaining comparative advantage.
 - b. A main contributor to > two centuries - poverty in Japan: self-imposed isolation from foreign trade (p. 268)
 - c. Trade produces economic gain; gains produce higher incomes; incomes allow more buying, leading to more efficient production, leading to more trade.
 - d. Quotas and tariffs on traded goods raise the price the customers pay for products.
 - e. Paul Collier (World Bank) – both rich & poor countries must drop protectionist trade policies: urgent need to help econ. development of poor countries.
6. Freedom to start businesses (Q: what kind of organization provides the most new jobs, econ. growth?) →
 - a. Businesses provide the majority of jobs that pay for work and provide - market in which products can be sold.
 - b. In a growing economy: government will make it easy to start and grow legally documented business.
 - c. Acemoglu and Robinson note: Mexican gov’t protects the telecommunication monopoly of Carlos Slim.
 - i. Entry barriers such as expensive licenses, political red tape, funding restrictions, etc. (Peru: see p. 151)
 - d. Equally important freedom that gov’t must provide: the liberty to close businesses that are not earning money.
7. Freedom from excessive government regulation
 - a. Government control of businesses is extremely stifling in planned systems such communist/socialist economies.
 - b. Total cost of government regulation on U.S. econ. 2010 was \$1.75 trillion (in \$15T econ) (Heritage Foundation).
8. Freedom from demands for bribes (sometimes euphemistically called “gifts” – but required)
 - a. For licenses, inspections; to police, judges, purchasing agents, etc.
 - b. an “all-pervasive net” that drags down economy, makes everything more expensive
→ many damages (p. 272)

- c. All who purchase any product in a country are paying higher prices because the product has been "eased along." even the people receiving bribes pay higher prices for goods of lower quality.
- d. The Bible clearly condemns bribery (Ex 23:8; Deut 16:19-20; 10:17; 1 Sam 12:3; Prov 17:23; Eccl 7:7). (p. 273)
 - i. Solution: officials who "hate" bribes (Ex 18:21; 15:27). (p. 273) – society will change w/ 1000s of decisions/ day → people need to realize that bribery is stealing
- e. In general, bribery- far more widespread in economically poor countries (ex. Indonesia – p. 275).
 - i. Bribery also found in oil-rich Muslim nations, some Asian countries (China) (see Corruption map, Fig. 2)
- 9. Freedom for a person to work in any job
 - a. Prosperous nations have no restrictions to any craft/occupation except as necessary to protect quality of work.
 - b. Douglass North ('93 Nobel Prize) - weak guild systems allowed England/Netherlands to industrialize more quickly.
 - c. Turgot (1727-81, France) argued against "government intervention in the economic sector."
 - d. Landes explains economic development in European countries was hindered by "organization of industry into guilds or corporations," which soon became "collective monopolies" that controlled entry into occupations.
 - e. Certain occupations require workers to attain high levels of competence to protect citizens (doctors, lawyers, etc.), but each society must ask whether the current standards are necessary to guarantee the quality of work.
- 10. Freedom for workers to be rewarded for their work
 - a. Forced labor results in less willingness, unfair compensation, lack of competition, and discouragement.
 - b. Examples include feudal plantations in Eastern Europe (see pgs. 116-118) and Egypt (1800's, cotton).
 - c. Gilder - "It is psychological forces that above all shape the performance of an economy with given resources."
- 11. Freedom for employers to hire and fire
 - a. Businesses can stay competitive only if they are able to keep their costs down.
 - b. Rules against firing employees generally → higher rates of structural unemployment in the long term. (France)
 - c. Government should provide some unemployment benefits to those who need help for a limited transition time.
 - d. → No nation will ever become productive by paying people to do nothing.
- 12. Freedom for employers to hire and promote employees based on merit
 - a. A business that has more skillful, reliable, and hard-working employees is more productive.
 - b. In many African nations nepotism – strong: difficult to eliminate in practice (Maranz).(p. 280)
- 13. Freedom to utilize energy resources
 - a. We need to be able to access the earth's resources in order to make them useful for mankind (Gen 1:28).
 - b. Environmental policies that are too strict prohibit wide use of the environment and hinder economic growth.
 - c. The time saved by mechanical devices is freed up for other uses, contributing to greater economic productivity.
 - d. Water power, coal, oil, natural gas, wind/solar (if without subsidies) all make a nation more productive.
 - e. Restrictions on energy (monopolies, government) hinder economic productivity – essentially, they are hoarded.
 - f. It is right to use energy resources found in the earth for our benefit, with thanksgiving to God (Gen 1:28; Ps 8:6).
 - g. "All economic [industrial] revolutions have at their core an enhancement of the supply of energy." - Landes
 - h. Landes notes the changes enabling the Industrial Revolution (Britain) were
 - 1) substitution of machines and 2) inanimate for animate sources of power.
- 14. Freedom to change and modernize
 - a. An ideally productive/growing economy knows how "to create, adapt, and master new techniques." - Landes
 - b. A cultural aversion to change - one reason China languished in poverty for centuries.
 - c. There is resistance to change in nations with tribal religions (superstition) and in Muslim nations (fatalistic).
 - i. Also note slow economic development of Latin America and in India (p. 285)
- 15. Freedom to access useful knowledge (freedom of information)
 - a. To move out of poverty and grow towards prosperity, a nation must allow new knowledge to spread freely.
 - i. Note the effect of the printing press (1439) within the Protestant Reformation versus Islam (Ottoman Empire).
 - b. Mechanical clocks (1275) allowed new methods to increase production but were resisted in China.
 - c. Note the knowledge obtained following the printing press - Columbus (New World), Vasco da Gama, Magellan, William Harvey (circulation of blood), Sir Isaac Newton (calculus).
 - d. Roman Catholic countries excluded many sources of knowledge during the inquisition (Harvey, Galileo, Newton).
 - i. "Iberia and indeed Mediterranean Europe...missed the train of the so-called scientific revolution." - Landes
 - ii. "Anti-Protestant backlash...sealed the fate of Southern Europe for the next 300 years." - Trevor-Roper
 - iii. Latin America suffered from the same mistakes, as Spain exported its exclusion of knowledge.
 - e. Economic growth of Europe during/after the Industrial Revolution was a result of "autonomy of intellectual inquiry."
 - f. Freedom to disseminate and access new knowledge esp. took hold in Protestant countries that emphasized "the priesthood of believers" and encouraged reading/interpreting the Bible.
 - i. Consistent with the personal ministry modeled by Jesus/apostles (Acts 2:14; 3:12; 5:21, 25, 42; 8:5-6; 9:28-29; 13:5, 14-16, 44; 14:1-3, 14,; 17:2-3, 10-11, 22; 18:4-5, 19; 19:8-10; 21:40; 24:10, 25; 26:1; 28:23,30-31).
 - ii. Early church was one of debate and sharing of information (Acts 15:7; 2 Cor 4:2; James 3:17).
 - h. A nation must allow people open and easy access to information and the ability to innovate and publish ideas.

- i. Due to easier access to information, developing nations can leap-frog over processes that once took decades.
- 16. Freedom for all people to be educated (see ch. 7, pgs 253-256)
 - a. Access to education allows the opportunity to make a positive contribution to the economic production.
 - b. Education must be available to boys and girls alike, and to children from all racial and religious backgrounds.
- 17. Freedom for women as well as men
 - a. The Bible gives honor and value to women as well as to men (Gen 1:27; Prov 31; Gal 3:28).
 - b. We must emphasize the important role of mothers in raising and nurturing children.
 - c. In earlier centuries/agricultural societies women often contributed to the work of the farm while raising children.
 - d. 19th century Japan women, while caring for their households, still had an active role in "enforcing frugality, engaging in farming and industry, and building prosperity."
 - i. In 1870 girls were required to attend school and by 1910, 97.4% of eligible girls were attending.
 - e. Freedom for women must include the freedom to start and own businesses; to own property; to inherit; to buy and sell, and to negotiate contracts; to travel and relocate; to invent and profit; and access to knowledge.
 - f. Muslim society "accords women an inferior place (Landes)" and fails to develop economically apart from oil.
- 18. Freedom for people of all races and all national, religious, and ethnic origins
 - a. The Bible affirms the equality of all people as creatures made in the image of God and the moral wrong of discrimination (Acts 17:26; Gal 3:28; Rev 7:9).
 - b. Non-discrimination was a trait by which Britain profited greatly when unwanted people fled from other countries.
 - i. Spanish and British colonial settlers in North and South America differed in this respect.
 - c. Between 1821 and 1914, U.S. population grew from 10 million to 94 million (32 million were immigrants).
 - d. Roman Catholic countries of Latin America excluded Northern Europeans and most North Americans.
 - e. Examples of countries that allowed immigration, but maintained national prejudice: Balkans and Algeria.
- 19. Freedom to move upward in social and economic status
 - a. Individuals in an ideal society "would rise and fall as they made something or nothing of themselves." - Landes
 - b. During key years of economic development Britain/U.S. had a relatively large and prosperous middle class.
 - i. Contrasted with German lands, India, and Japan where social/economic movement was difficult.
 - c. Economic growth is stifled by structures and traditions that prevent social and economic mobility.
 - d. The concentration of wealth in the hands of a few privileged and powerful families stifles economic growth.
 - i. Landes notes this leads to a "school for laziness (or self-indulgence) over against a slough of despond."
 - ii. In such a system a free market is not allowed to operate and is a failure of the government.
 - e. Economic mobility in the U.S. is still a significant part of its strong economy today.
 - i. "80% of America's millionaires are first generation rich." - Stanley and Danko
 - f. "The poor" do not remain poor for the most part, and neither do the rich necessarily stay rich (fig. 3 after pg. 192).
 - i. Recent studies by the National Tax Journal and the Department of the Treasury affirm this.
- 20. Freedom to become wealthy by legal means
 - a. This is the opposite of the previous section, in which wealth is concentrated and opportunity restricted.
 - b. To produce more every person must be motivated to contribute to the increase in productive economic activity.
 - c. Nothing motivates a person as well as self-interest; the hope of earning more and bettering his own condition.
 - d. People must be able to see that a measure of financial success is possible (*actual evidence*).
 - e. In sub-Saharan Africa the economic goal is survival which leads to a constant "leveling" so that no one is able to get ahead. - Maranz
 - i. The result of believing economic equality is more important than economic growth is entrapment in poverty.
 - f. If a society focuses on envy or hatred of the rich (Marxist idea), it significantly hinders its economic productivity.
 - g. Every time a nation moves from poverty toward prosperity, some people will do better economically than others.
 - i. Very few become spectacularly successful, but they provide immense economic productivity for society.
 - i. "The teaching of the Bible would appear to be that it is not the amount of a man's wealth which matters; what matters is the method by which he acquires it, how he uses it and his attitude of mind toward it." - Catherwood
 - j. A nation must not confiscate wealth through punitive taxes, unjust court decisions, or social ostracism.
 - k. In nations where wealth is *through immoral means*, society must punish those criminals.
 - i. Pastors and spiritual leaders have an important role here (James 4:13,15; 5:1-6; Prov 23:4; 1 Tim 6:9-10).
 - i. A society that does not allow people the freedom to become wealthy, loses the benefits they would have brought.
- 21. Freedom of religion (implied in sections 15 & 18, see also ch. 7, pg. 258)
 - a. In order to prevent losses of knowledge and skill, a nation must establish and protect freedom of religion.

C. Conclusion

If leaders make up their minds to protect the freedoms outlined, it will release tremendous economic productivity.